

THE ARC OF GREATER NEW ORLEANS, INC.

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

YEARS ENDED JUNE 30, 2003 AND 2002

The ARC of Greater New Orleans, Inc.

Financial Statements and Report of
Independent Certified Public Accountants
Years Ended June 30, 2003 and 2002

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Report of Independent Certified Public Accountant

To the Board of Directors
The Arc of Greater New Orleans, Inc.

We have audited the accompanying statements of financial position of The Arc of Greater New Orleans, Inc. as of June 30, 2003 and 2002, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Arc of Greater New Orleans, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Greater New Orleans, Inc. as of June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2003 on our consideration of The Arc of Greater New Orleans, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Arc of Greater New Orleans, Inc. taken as a whole. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants
October 15, 2003



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**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

To the Board of Directors
The Arc of Greater New Orleans, Inc.

We have audited the financial statements of The Arc of Greater New Orleans, Inc. as of and for the year ended June 30, 2003, and have issued our report thereon dated October 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Arc of Greater New Orleans, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Arc of Greater New Orleans, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal and state regulatory bodies. However, this report is a matter of public record and its distribution is not limited.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants
October 15, 2003



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**Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

To the Board of Directors
The Arc of Greater New Orleans, Inc.

Compliance

We have audited the compliance of The Arc of Greater New Orleans, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2003. The Arc of Greater New Orleans, Inc.'s major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Arc of Greater New Orleans, Inc.'s management. Our responsibility is to express an opinion on The Arc of Greater New Orleans, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Arc of Greater New Orleans, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Arc of Greater New Orleans, Inc.'s compliance with those requirements.

In our opinion, The Arc of Greater New Orleans, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of The Arc of Greater New Orleans, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Arc of Greater New Orleans Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bain, Freiburn, Segura & Co., L.L.P.

Certified Public Accountants
October 15, 2003

The Arc of Greater New Orleans, Inc.

Statements of Financial Position
Years Ended June 30, 2003 and 2002

<i>June 30,</i>	2003	2002
Assets		
Current Assets:		
Cash	\$ 165,848	\$ 121,874
Accounts receivable		
Grants and contracts	322,171	317,438
Trade	870,456	980,931
Unconditional promises to give	192,502	200,587
Prepaid expenses	2,017	20,576
Deposits	24,082	8,557
Total current assets	1,577,076	1,649,963
Property and equipment, net	818,539	663,851
Total Assets	2,395,615	2,313,814
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	237,640	247,867
Current portion of long-term debt	21,668	57,508
Line of credit	132,000	22,000
Total current liabilities	391,308	327,375
Long-term debt, less current portion	52,186	40,506
Commitments	-	-
Total liabilities	443,494	367,881
Net Assets:		
Unrestricted	1,759,619	1,745,346
Temporarily restricted	192,502	200,587
Total net assets	1,952,121	1,945,933
Total Liabilities and Net Assets	\$ 2,395,615	\$ 2,313,814

See notes to financial statements

The Arc of Greater New Orleans, Inc.

Statements of Activities Years Ended June 30, 2003 and 2002

	Unrestricted	2003 Temporarily Restricted	Total	2002
Support and Revenue				
Support:				
Grants and contracts	\$ 2,371,595	\$ -	\$ 2,371,595	\$ 2,363,678
Contributions	243,371	-	243,371	305,804
Other:				
United Way Allocations	-	192,502	192,502	200,587
United Way Designations	16,644	-	16,644	22,842
CFC Designations	7,328	-	7,328	6,459
Total support	2,638,938	192,502	2,831,440	2,899,370
Revenue:				
Client fees	1,944,777	-	1,944,777	1,952,901
Medicaid	3,934,607	-	3,934,607	3,551,793
Group home	590,429	-	590,429	503,806
Interest income	2,283	-	2,283	7,651
Other income	198,592	-	198,592	154,477
Total revenue	6,670,688	-	6,670,688	6,170,628
Net assets released from restrictions	200,587	(200,587)	-	-
Total support and revenue	9,510,213	(8,085)	9,502,128	9,069,998
Expenses:				
Program services:				
Children's services	1,265,328	-	1,265,328	1,170,048
Employment services	313,979	-	313,979	291,910
Individual options	880,824	-	880,824	812,977
Project H.E.L.P.	3,092,040	-	3,092,040	2,895,329
Operations department	2,986,990	-	2,986,990	2,815,816
Other programs	355,401	-	355,401	347,021
Supporting services:				
Management and general	581,249	-	581,249	554,897
Fund-raising	8,307	-	8,307	35,201
Payments to affiliates	11,822	-	11,822	15,981
Total expenses	9,495,940	-	9,495,940	8,939,180
Increase in net assets	14,273	(8,085)	6,188	130,818
Net assets at beginning of year	1,745,346	200,587	1,945,933	1,815,115
Net assets at end of year	\$ 1,759,619	\$ 192,502	\$ 1,952,121	\$ 1,945,933

See notes to financial statements

The Arc of Greater New Orleans, Inc.

Statement of Functional Expenses Year Ended June 30, 2003

	Program Services								Total Program & Supporting Services
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Operations Department	Other Programs	Management & General	Fund Raising	
Salaries	\$ 692,090	\$ 242,996	\$ 531,856	\$ 2,628,703	\$ 1,618,302	\$ 188,010	\$ 339,367	\$ -	\$ 6,241,324
Employee benefits	40,443	10,773	34,237	26,964	41,265	9,996	29,027	-	192,705
Payroll taxes	58,401	23,528	43,866	224,371	161,992	13,458	32,620	-	558,236
Total Salaries and Benefits	790,934	277,297	609,959	2,880,038	1,821,559	211,464	401,014	-	6,992,265
Professional fees	261,661	581	1,399	4,888	150,048	2,039	22,775	-	443,391
Supplies	69,200	1,208	5,690	19,653	349,900	106,741	13,970	5,275	571,637
Telephone	3,489	1,987	8,213	7,268	20,528	2,414	7,054	-	50,953
Postage	1,277	396	876	4,434	4,223	484	566	-	12,256
Occupancy	91,318	8,713	105,231	50,258	238,453	9,095	40,782	2,197	546,047
Repairs and maintenance	21,027	5,510	34,122	12,378	94,847	7,729	6,825	-	182,438
Local transportation	8,579	6,456	66,608	89,767	145,630	13,432	5,642	-	336,114
Travel, conferences and meetings	3,764	701	2,435	11,296	9,747	734	13,097	-	41,774
Printing and publications	606	14	34	1,829	2,135	997	92	-	5,707
Membership dues	17	125	-	25	25	-	3,201	-	3,393
Other expenses	7,835	1,198	7,720	1,384	72,220	218	13,656	835	105,066
Payments to affiliate	-	-	-	-	-	-	11,822	-	11,822
Public relations	-	-	-	-	-	-	49,899	-	49,899
Depreciation	5,621	9,793	38,537	8,822	77,675	54	2,676	-	143,178
Total expenses	\$ 1,265,328	\$ 313,979	\$ 880,824	\$ 3,092,040	\$ 2,986,990	\$ 355,401	\$ 593,071	\$ 8,307	\$ 9,495,940

See notes to financial statements

The Arc of Greater New Orleans, Inc.

Statement of Functional Expenses Year Ended June 30, 2002

	Program Services							Total Program & Supporting Services
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Operations Department	Other Programs	Management & General	
Salaries	\$ 718,877	\$ 231,259	\$ 516,959	\$ 2,458,252	\$ 1,485,926	\$ 182,711	\$ 329,263	\$ - \$ 5,923,247
Employee benefits	44,554	7,979	36,382	29,546	41,808	8,348	21,581	- 190,198
Payroll taxes	61,088	20,776	46,462	214,006	184,052	13,429	32,214	- 572,027
Total Salaries and Benefits	824,519	260,014	599,803	2,701,804	1,711,786	204,488	383,058	- 6,685,472
Professional fees	149,354	722	1,394	5,195	335,053	3,123	8,302	- 503,143
Supplies	63,068	1,302	5,952	14,624	220,378	105,225	18,825	854 430,228
Telephone	3,865	1,607	7,305	5,355	13,729	2,546	5,675	- 40,082
Postage	1,281	377	1,095	3,954	4,662	397	954	- 12,720
Occupancy	90,355	6,860	80,032	35,735	213,763	7,331	35,014	6,892 475,982
Repairs and maintenance	15,348	3,370	25,091	18,194	109,642	7,764	7,797	- 187,206
Local transportation	7,703	5,392	56,764	81,914	126,601	11,457	8,550	- 298,381
Travel, conferences and meetings	4,950	2,108	3,410	15,345	6,392	3,241	7,109	- 42,555
Printing and publications	633	75	106	2,538	866	1,292	2,060	806 8,376
Membership dues	17	25	-	150	-	-	3,983	- 4,175
Other expenses	2,851	218	4,362	4,684	55,002	82	12,808	26,649 106,656
Payments to affiliate	-	-	-	-	-	-	15,981	- 15,981
Public relations	-	-	-	-	-	-	56,415	- 56,415
Depreciation	6,104	9,840	27,663	5,837	17,942	75	4,347	- 71,808
Total expenses	\$ 1,170,048	\$ 291,910	\$ 812,977	\$ 2,895,329	\$ 2,815,816	\$ 347,021	\$ 570,878	\$ 35,201 \$ 8,939,180

See notes to financial statements

The Arc of Greater New Orleans, Inc.

Statements of Cash Flows Years Ended June 30, 2003 and 2002

<i>June 30,</i>	2003	2002
Cash Flows from Operating Activities:		
Increase in net assets	\$ 6,188	\$ 130,818
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	143,178	71,810
(Gain) loss on disposal of fixed assets	(1,690)	2,697
Contribution of property and equipment	-	(232,540)
(Increase) decrease in operating assets:		
Accounts receivable	113,827	(381,483)
Prepaid expenses	18,559	3,814
Deposits	(15,525)	1,091
Increase (decrease) in operating liabilities:		
Accounts payable	(10,227)	34,397
Net cash provided (used) by operating activities	254,310	(369,396)
Cash Flows from Investing Activities:		
Payments for property and equipment	(303,476)	(114,781)
Proceeds from disposal of property and equipment	7,300	4,075
Net cash (used) by investing activities	(296,176)	(110,706)
Cash Flows from Financing Activities:		
Proceeds of long-term debt	-	54,821
Payments on long-term debt	(24,160)	(27,818)
Net advances on line of credit	110,000	22,000
Net cash provided by financing activities	85,840	49,003
Net increase (decrease) in cash	43,974	(431,099)
Beginning cash	121,874	552,973
Ending cash	\$ 165,848	\$ 121,874
Supplemental Disclosures:		
Interest paid	\$ 10,199	\$ 5,179

See notes to financial statements

The Arc of Greater New Orleans, Inc.

Notes to Financial Statements
Years Ended June 30, 2003 and 2002

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Arc of Greater New Orleans, Inc., is a nonprofit organization committed to securing for all people with mental retardation the opportunity to develop, function, and live to their fullest potential. Current services include: Children's Services (Early Intervention, Child Care, and Family Service Coordination), Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Operations Department (Affirmative Businesses), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout the four-parish area (Orleans, Jefferson, Plaquemines, and St. Bernard).

Basis of Accounting

The Arc of Greater New Orleans, Inc., prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

Contributed Services

During the years ended June 30, 2003 and 2002, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

(Continued)

The Arc of Greater New Orleans, Inc.

Notes to Financial Statements
Years Ended June 30, 2003 and 2002
(Continued)

Accounts Receivable

All receivables at June 30, 2003 and 2002 are considered collectible; accordingly, an allowance for doubtful accounts is not presented.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions that are restricted by the donor are reported as increases of unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives of buildings and improvements range from 10 to 31 years; and those of equipment range from 3 to 10 years.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

2. CASH – CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to risk include cash on deposit with financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2003 and 2002, the Organization's uninsured cash balances totaled \$0 and \$28,884, respectively. To provide additional protection against financial loss the Organization has their daily balance in excess of \$55,000 placed into a nightly high-grade bond purchase fund. This nightly fund provides protection against financial institution closure by allowing invested funds to be available to the Organization immediately in response to a closure.

(Continued)

The Arc of Greater New Orleans, Inc.

Notes to Financial Statements
Years Ended June 30, 2003 and 2002
(Continued)

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2003	2002
Buildings and improvements	\$ 1,024,439	\$ 973,776
Furniture and equipment	408,237	268,043
Autos, trucks and tractors	608,360	537,846
Land	20,000	20,000
	<u>2,061,036</u>	<u>1,799,665</u>
Less accumulated depreciation	<u>1,242,497</u>	<u>1,135,814</u>
	<u>\$ 818,539</u>	<u>\$ 663,851</u>

Depreciation expense was \$143,178 and \$71,810 for 2003 and 2002, respectively. At June 30, 2003 the above included \$829,489 of assets that were fully depreciated.

4. INCOME TAXES

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, income taxes are not presented in these financial statements.

(Continued)

The Arc of Greater New Orleans, Inc.

Notes to Financial Statements
Years Ended June 30, 2003 and 2002
(Continued)

5. NOTES PAYABLE

The Organization's obligation under notes payable consists of the following:

	2003	2002
8.9% note payable, due on demand, if no demand is made, due in monthly installments of \$964, including interest, secured by a Deed of Trust on land and building and maturing November 2006	\$ 33,347	\$ 41,452
7.25% note payable, due in monthly installments of \$963, including interest, secured by two 1997 vans and maturing July 2002	-	841
7.9% note payable, due in monthly installments of \$600, including interest, secured by 1998 E350 Club Wagon and maturing November 2002	-	2,867
7.8% note payable, due on demand, if no demand is made due in monthly installments of \$1,336, including interest, secured by two 2001 vans and one 2000 van and maturing April 2006	40,507	52,854
	\$ 73,854	\$ 98,014

Principal installments for the next five years are as follows:

<u>Year ending June 30,</u>	
2004	\$ 21,668
2005	24,126
2006	23,349
2007	4,711
2008	-
Thereafter	-
	\$ 73,854

(Continued)

The Arc of Greater New Orleans, Inc.

Notes to Financial Statements
Years Ended June 30, 2003 and 2002
(Continued)

6. LINE OF CREDIT

The Organization has available a line of credit with a bank for \$300,000. The unpaid principal balance shall bear interest at the "Wall Street Journal Prime Rate". Interest payments are due monthly. Any outstanding principal is due on demand or September 26, 2004. At June 30, 2003, the Organization had drawn \$132,000 on the line of credit. The line of credit is secured by all inventory, related equipment, goods, merchandise and other items of personal property and receivables.

7. CONTINGENT LIABILITY

The Organization is a defendant in a lawsuit filed by one of its former employees. Outside counsel for the Organization has advised that at this stage in the proceedings he can not offer an opinion as to the probable outcome. The Organization is vigorously disputing the Plaintiffs' allegations.

8. PENSION PLAN

Effective July 1, 1999, the Organization adopted a 401(k) pension plan that covers most of its employees. The Organization matches fifty percent of employee salary reduction contributions up to six percent of compensation. These matching contributions amounted to \$43,336 and \$44,319 in 2003 and 2002, respectively.

9. RENT-FREE USE OF FACILITIES

During 2003 and 2002, the Organization was furnished free use of facilities at three locations from unrelated parties. The aggregate fair market value of the use of these facilities is approximately \$15,800 per month. These amounts are recorded as contributions in Revenue and Support and also in Occupancy expenses. The fair market value of the rent-free use of facilities amounted to \$189,995 for 2003 and 2002. The commitments for the use of these facilities expire at various times from 2005 through 2018.

Additionally, the Organization has entered into a five year lease on a building used in providing program services. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of a public education facility. The Organization has made improvements to the building which amount to approximately \$30,000. These improvements will revert to the lessor at the end of the lease term.

10. MAJOR SUPPORT

For the year ended June 30, 2003, the Organization earned 41% of its support and revenue from Medicaid reimbursement arrangements and 17% of its support and revenue from contracts with the State of Louisiana. At June 30, 2003, accounts receivable included \$815,662 from these two sources.

(Continued)

The Arc of Greater New Orleans, Inc.

Notes to Financial Statements
Years Ended June 30, 2003 and 2002
(Continued)

For the year ended June 30, 2002, the Organization earned 39% of its support and revenue from Medicaid reimbursement arrangements and 18% of its support and revenue from contracts with the State of Louisiana. At June 30, 2002, accounts receivable included \$867,403 from these two sources.

11. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	2003	2002
Unconditional promises to give	\$ 192,502	\$ 200,587

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term unconditional promises to give, and notes payable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

SUPPLEMENTAL INFORMATION

The Arc of Greater New Orleans, Inc.

Schedule of Federal Awards
Year Ended June 30, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Grant Number	Federal Expenditures
U.S. Department of Education				
State Department of Education:				
Infants/Families with Disabilities – DS	84.181A		03-C3-TD-C	\$ 333,635
Infants/Families with Disabilities - FSC	84.181A		03-C4-TD-C	222,153
				<hr/>
				\$ 555,788

The Arc of Greater New Orleans, Inc.

Schedule of State and Local Awards
Year Ended June 30, 2003

State Programs	Pass-through Grantor's Number	Grant Number	State Awards
State Department of Health and Hospitals/ Office of Mental Retardation/ Developmental Disabilities:			
Vocational and Habilitative Services	587413		\$ 625,612
Early Intervention	588204		257,423
Respite Care Services	583018		105,000
Crisis Intervention	585136		142,178
			1,130,213
Jefferson Parish Human Services Authority/Division of Mental Retardation and Developmental Disabilities:			
Early Intervention	321		\$ 199,206
Professional Services	322		18,700
Vocational and Habilitative Services	320		108,298
Respite Care	320		15,191
Supported Living	320		-
STEP Program Grant	368		268,497
			609,892
			\$ 1,740,105

The Arc of Greater New Orleans, Inc.

Schedule of Federal Awards
Year Ended June 30, 2002

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Grant Number	Federal Expenditures
U.S. Department of Education				
State Department of Education:				
Infants/Families with Disabilities - FSC	84.181A		01-C4-TD-C	\$ 53,641
Infants/Families with Disabilities - DS	84.181A		02-C3-TD-C	225,277
Infants/Families with Disabilities - DS	84.181A		01-H3-TD-C	91,396
Infants/Families with Disabilities - FSC	84.181A		02-C4-TD-C	167,492
Total Federal Grants				\$ 537,806

The Arc of Greater New Orleans, Inc.

Schedule of State and Local Awards
Year Ended June 30, 2002

State Programs	Pass-through Grantor's Number	Grant Number	State Awards
State Department of Health and Hospitals/ Office of Mental Retardation/ Developmental Disabilities:			
Vocational and Habilitative Services	572641		\$ 625,612
Early Intervention	574759		257,423
Respite Care Services	572627		105,000
Crisis Intervention	574726		142,178
			1,130,213
Jefferson Parish Human Services Authority/Division of Mental Retardation and Developmental Disabilities:			
Early Intervention	381		\$ 201,203
Professional Services	383		14,100
Vocational and Habilitative Services	234		111,887
Vocational and Habilitative Services	427		250,000
Respite Care	279		25,581
Supported Living	280		2,365
			605,136
			\$ 1,735,349

The Arc of Greater New Orleans, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditor’s report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	No
Reportable condition(s) identified that are not considered to be material weakness(es)	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	No
Reportable condition(s) identified that are not considered to material weakness(es)	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.181A	Infants/Families with Disabilities

Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as a low-risk auditee?	NO

<u>Schedule II – Financial Statement Findings</u>	None reported
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<u>Schedule III – Federal Awards Findings and Questioned Costs</u>	None reported
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<u>Section IV – Prior Audit Findings</u>	None reported
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Bain, Freibaum, Sagona & Co., L.L.P.
Certified Public Accountants and Consultants

Gus Freibaum, Jr., CPA*
Elliott M. Bain, CPA*
Nick O. Sagona, Jr., CPA*
David J. Bourg, JD, CPA/PFS*
William F. Matthew, CPA*
Barry Lee, CPA*

*A Professional Accounting Corporation

MEMBER

American Institute of CPAs
Society of Louisiana CPAs
Accounting Group International
(Associates in Principal Cities)

October 15, 2003

To the Board of Directors of
The Arc of Greater New Orleans, Inc.

In planning and performing our audit of the financial statements of The Arc of Greater New Orleans, Inc. for the year ended June 30, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control was for the limited purpose described above and would not necessarily disclose all matters that might be reportable conditions.

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Company's internal control that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Directors, management and others within the organization, certain funding sources and the Company's bonding company.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants

FORM **SF-SAC**
(3-20-2001)U.S. DEPT. OF COMM.—Econ. and Stat. Admin.—U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates On or After January 1, 2001**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

RETURN TO Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132**PART I GENERAL INFORMATION (To be completed by auditee, except for Item 7)****1. Fiscal period ending date for this submission**Month Day Year Fiscal Period End Dates Must
06 / 30 / 2003 Be On or After January 1, 2001**2. Type of Circular A-133 audit**1 ☒ Single audit 2 ☐ Program-specific audit**3. Audit period covered**1 ☒ Annual 3 ☐ Other— Months
2 ☐ Biennial**FEDERAL
GOVERNMENT
USE ONLY****4. Date received by Federal
clearinghouse****5. Employer Identification Number (EIN)**

a. Auditee EIN 7 2 0 4 5 6 9 0 3

b. Are multiple EINs covered in this report? 1 ☐ Yes 2 ☒ No**If Part I, Item 5b = "Yes," complete Part I, Item 5c
(Complete the continuation sheet on Page 4)****6. AUDITEE INFORMATION****a. Auditee name**

The Arc of Greater New Orleans, Inc.

b. Auditee address (Number and street)

5700 Loyola Avenue

City

New Orleans

State

ZIP + 4 Code

LA

7

0

1

1

5

-

c. Auditee contact

Name

Vance Levesque

Title

Controller

d. Auditee contact telephone

(504) 897 - 0134

e. Auditee contact FAX (Optional)

(504) 897 - 1995

f. Auditee contact E-mail (Optional)**g. AUDITEE CERTIFICATION STATEMENT**—This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official

Vance Levesque

Date

Month Day Year

12 / 17 / 03

Printed Name/Title of certifying official

VANCE LEVESQUE CONTROLLER

7. AUDITOR INFORMATION (To be completed by auditor)**a. Auditor name**

Bain, Freibaum, Sagona & Co., L.L.C.

b. Auditor address (Number and street)

400 Poydras Street, Suite 1800

City

New Orleans

State

ZIP + 4 Code

LA

7

0

1

3

0

-

3

c. Auditor contact

Name

David Bourg

Title

Partner

d. Auditor contact telephone

(504) 568 - 0086

e. Auditor contact FAX (Optional)

(504) 568 - 0102

f. Auditor contact E-mail (Optional)**9. AUDITOR STATEMENT**—The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 8, 9, and 10, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is **not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

[Signature]

Date

Month Day Year

12 / 16 / 03

PART I GENERAL INFORMATION - Continued

8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (X) one box)
 1 ☐ Yes - **Identify Cognizant Agency in Part I, Item 9** 2 ☒ No - **SKIP to Part II, Item 1**

9. Indicate which **Federal** awarding agency provided the predominant amount of direct funding in **fiscal year 2000**. (Mark (X) one box) However, if cognizance has been reassigned, see instructions.

- | | | | |
|--|---|---|---|
| 02 <input type="checkbox"/> Agency for International Development | 81 <input type="checkbox"/> Energy | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation |
| 10 <input type="checkbox"/> Agriculture | 66 <input type="checkbox"/> Environmental Protection Agency | 15 <input type="checkbox"/> Interior | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | <input type="checkbox"/> Other - Specify: |
| 12 <input type="checkbox"/> Defense | 93 <input type="checkbox"/> Health and Human Services | 17 <input type="checkbox"/> Labor | |
| 84 <input type="checkbox"/> Education | | | |

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)
 1 ☒ Unqualified opinion 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion
2. Is a "going concern" explanatory paragraph included in the audit report? 1 ☐ Yes 2 ☒ No
3. Is a reportable condition disclosed? 1 ☐ Yes 2 ☒ No - **SKIP to Item 5**
4. Is any reportable condition reported as a material weakness? 1 ☐ Yes 2 ☐ No
5. Is a material noncompliance disclosed? 1 ☐ Yes 2 ☒ No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance
 1 ☒ Unqualified opinion 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion
2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10) 1 ☐ Yes 2 ☒ No
3. What is the dollar threshold to distinguish Type A and Type B programs? (\$ ____ .520(b)) \$ 300,000
4. Did the auditee qualify as a low-risk auditee? (\$ ____ .530) 1 ☐ Yes 2 ☒ No
5. Is a reportable condition disclosed for any major program? (\$ ____ .510(a)(1)) 1 ☐ Yes 2 ☒ No - **SKIP to Item 7**
6. Is any reportable condition reported as a material weakness? (\$ ____ .510(a)(1)) 1 ☐ Yes 2 ☐ No
7. Are any known questioned costs reported? (\$ ____ .510(a)(3) or (4)) 1 ☐ Yes 2 ☒ No
8. Was a Summary Schedule of Prior Audit Findings prepared? (\$ ____ .315(b)) 1 ☐ Yes 2 ☒ No

9. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)

- | | | | |
|--|---|---|--|
| 02 <input type="checkbox"/> Agency for International Development | 83 <input type="checkbox"/> Federal Emergency Management Agency | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> State |
| 23 <input type="checkbox"/> Appalachian Regional Commission | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 14 <input type="checkbox"/> Housing and Urban Development | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute for Museum Services | 47 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 84 <input type="checkbox"/> Education | 16 <input type="checkbox"/> Justice | 59 <input type="checkbox"/> Small Business Administration | 00 <input checked="" type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 17 <input type="checkbox"/> Labor | | <input type="checkbox"/> Other - Specify: |
| 66 <input type="checkbox"/> Environmental Protection Agency | 09 <input type="checkbox"/> Legal Services Corp | | |

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives ☒
- and, if not marked above, the cognizant agency (if identified in Part I, Item 9) ☐

Count total number of boxes marked above and submit this number of reporting packages

PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

1	16	31	46	61
2	17	32	47	62
3	18	33	48	63
4	19	34	49	64
5	20	35	50	65
6	21	36	51	66
7	22	37	52	67
8	23	38	53	68
9	24	39	54	69
10	25	40	55	70
11	26	41	56	71
12	27	42	57	72
13	28	43	58	73
14	29	44	59	74
15	30	45	60	75

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.